

# [Managing financial resources and decisions commerce essay](https://assignbuster.com/managing-financial-resources-and-decisions-commerce-essay/)

Typically, entrepreneurs are dynamic and enthusiastic about their ideas. To be a successful entrepreneur, you need good ideas to fulfil a demand. Every entrepreneur must think about money. For the business there are some sources of funding for budding entrepreneurs. Probably less financial risk in earning start-up funds from friends and family, than in borrowing from a institute – so have look first to those sources of finance.

## Task 1

A Gardening Service can be a good idea for small business of an entrepreneur. For this small business funds can be personal savings, friends and family, grants etc.

If any person uses their savings to invest in business, then the source of finance comes under the heading of personal savings. Most of entrepreneur funded with personal savings.

Friends and Family is next fund to start-up business. No one wants to get involved with a start-up company. But in case of friends and family, easy to collect and hassle free. Funds can be collected by friends and family less than £5000.

Then my third funds for gardening service will be Credit Card. this card with pre-loaded cash given by bank. For that we have to pay interest. By credit card fund can be like £5000.

Among these funds, friends and family will be best for the gardening service. Because it’s easy to collect, it can be big amount for small business, convenient, and easy to start-up for any deal.

## Producing musical feeding chair for babies

Babies like attraction. A musical chair will be good attraction for most babies. Lots of funds need to start of this business. From that I decide three source of funds- Overdrafts, Personal savings, and Friends and family.

Overdrafts can be use in small business. Bank will provide overdrafts on customers demand.

Overdrafts are secured funds for business provide by bank. An interest has to pay yearly. Entrepreneur can use it any times. So overdrafts can be the good source of finance for this business.

## Selling customised t-shirt, mugs and other novelty items online

People like to shop at online to save their time. If I start selling customised t-shirt, mugs and other novelty items online, like other business entrepreneurs I need to select source of funds. Funds are Angel Investor, Personal Savings, and Overdrafts.

Persons who invest in different companies at pre-mature stage to make profit and the chance to guide the company call Angel investors. In compare, business enterprise capitalist spend as a profession and in general on behalf of other investors. Angels typically invest their own funds. The investment from these angels can be from $150, 000 to about $1. 5 million dollars.

These angels are usually entrepreneurs who want to help out promising entrepreneurs with their own businesses. For those reason I like to rising funds by angel investor.

## Starting a financial consultancy

A financial advisor known as financial consultant, they offer advice about money management. Most people come to financial consultancy firm for guidance on how to reach their long term financial goals. To open and run these business three funds can be chosen. .

Factoring is where the financial association advances the entrepreneur cash against income from the entrepreneur’s outstanding amount. Factoring is a firm, usually are paid a proportion of the invoice’s value.

Factoring is appropriate for this business. Because, this is an institute, they provide funds quickly.

## Running Bed & Breakfast

For this business as an entrepreneur I can invest by debt financing, friends and family and personal savings.

The majority of new small businesses are funded with Debt Financing via institutes. Banks will provide with a loan or line of credit that comes with repayment schedule and an interest rate. Loan can be provided by type of business and demand of entrepreneur. For opening of the business debt financing could be best source for funds.

For this business like to funded with debt financing. Because don’t have to give up equity, easy to get loan, maximum banks are giving low interest rate. So debt financing is the best source of funds for the business of Bed & Breakfast.

## Task 2

## Personal savings

## Advantages:

No equity-holders to pay.

Best way to sue savings.

Do not need to borrow.

No monthly payment.

## Disadvantages:

Funds will be limited.

May face a lot of personal debt.

May miss out on earning interest.

## Friends and Family

## Advantages:

Funds are available quickly.

May do not pay any interest.

## Disadvantages:

Limited funding.

One time funding.

May have to pay interest.

Risk of relation if business does not success.

## Credit Card

## Advantages:

Low interest rate.

Bank will provide that.

This is won funding.

## Disadvantages:

Limited amount.

Have to pay interest.

## Overdrafts

## Advantages:

Sometimes not need to pay interest.

Can be used any time.

Can by refund any time

## Disadvantages:

Need to pay interest.

Have to apply for that.

Amounts are limited.

## Angel investors

## Advantages:

Angels invest more than money.

Provide mentoring and contacts.

No monthly payments.

## Disadvantages:

Angels are difficult to find.

Take up valuable time.

Giving up equity in your company.

## Factoring

## Advantages:

Provides funds quickly.

Helps companies with a rickety and unstable cash flow.

## Disadvantages:

Increased accounting oversight and administration.

Cost of money is involved in factoring.

## Debt Financing

## Advantages:

You build a powerful relationship with banker.

Don’t have to give up equity.

## Disadvantages:

May be required to provide personal collateral.

Have to pay interest.

## Task 3

## Cost comparison of the sources

Cost means the amount to be paid for anything bought. Using those sources must have to calculated cost.

## A Gardening Service

Personal savings is best for invest in business among other sources. The cost is very low here, only opportunity cost. Cost of Friends and Family also low. But sometimes entrepreneur have to pay interest. For the using Credit Card can be expensive. Because bank charge for it. Different bank have different policy to charge for amount.

## Producing musical feeding chair for babies

In this business I used overdrafts, personal savings, and friends and family. Here overdrafts have interest cost. But in other two funds no interest cost.

## Selling customised t-shirt, mugs and other novelty items online

Funds are Angel Investor, Personal Savings, and Overdrafts for this business. Angel investors very costly to fund, but they invest a lot. Those investor will take money after invest. For personal saving do not have to pay back and in overdrafts have to pay interest.

## Starting a financial consultancy

Invested funds are factoring, personal savings and credit card. An extensive cost of money is involved in factoring and credit card. For investing personal savings only cost is ‘ opportunity cost’.

## Running Bed & Breakfast

I invested debt financing, friends and family and personal savings in running bed & breakfast business. In the Debt Financing lots of interest has to pay to the financial institute. Like interest, security deposit etc, for the personal savings and friends and family no need any deposit. But in friends and family sometime need to pay interest

## Task 4

As a budding entrepreneur I will go for selling customised t-shirt, mugs and other novelty items online. Because now people like to buy novelty items form online to save money and time. Now a day’s online selling is going more competitive and challenging. As an entrepreneur I like to take challenging jobs. On the other side selecting source of funds are easy and a good amount can be collected.

## Conclusion

In this business world everything is going very fast so opening a new business is very challenging. Fund collection is one of the most important facts in business. Funds can be collected from different sources. But an entrepreneur must have to select right funds for the right business. Then there is less chance to fail.